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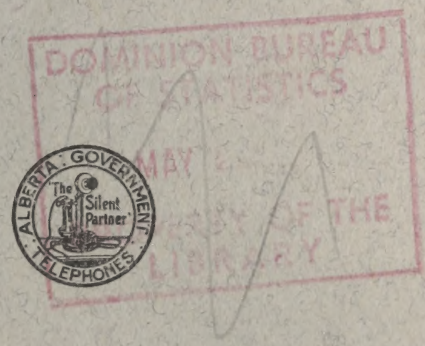
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Alberta Government Telephones

ANNUAL  
REPORT

*For the Fiscal Year Ending*  
December 31st, 1926

PRINTED BY ORDER OF THE LEGISLATIVE ASSEMBLY



EDMONTON:  
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1927









# Alberta Government Telephones

## ANNUAL REPORT

*For the Fiscal Year Ending*

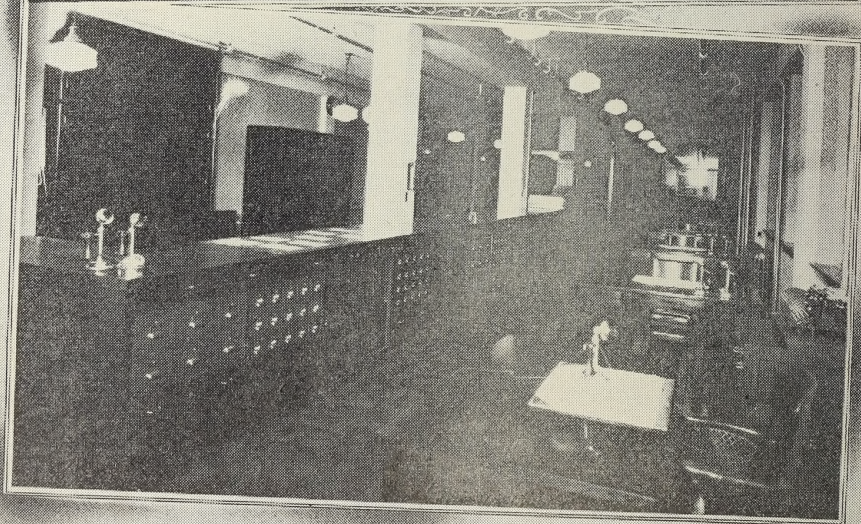
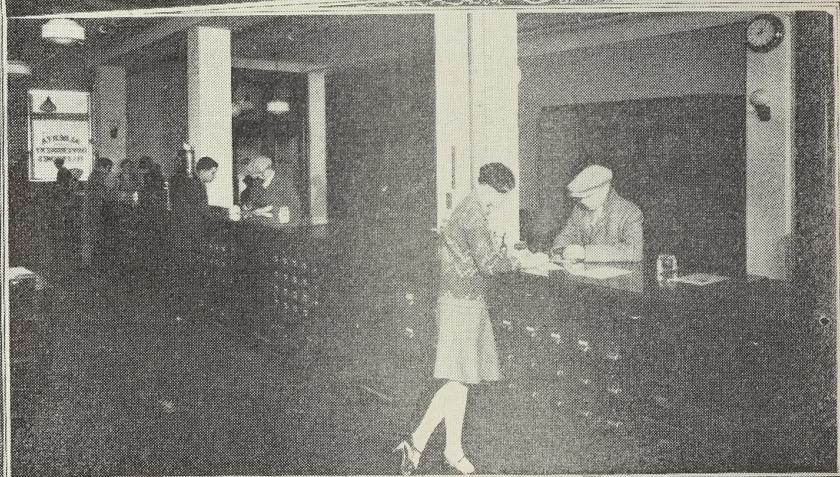
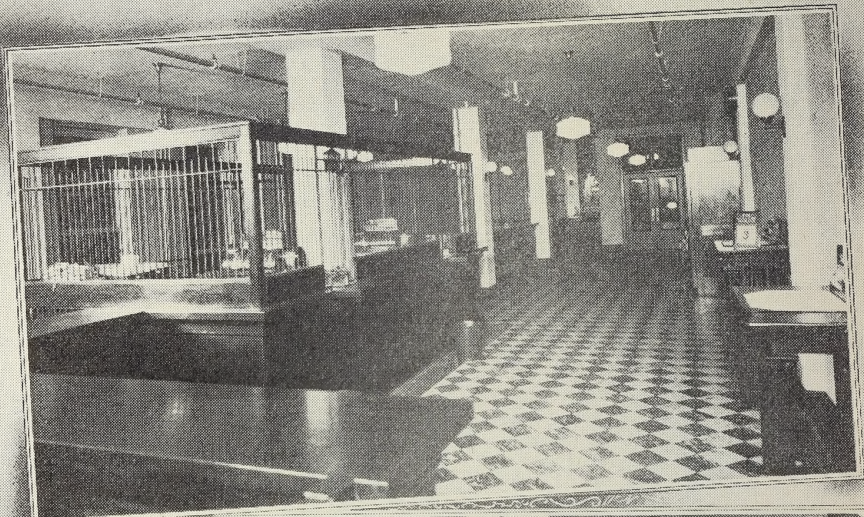
December 31st, 1926

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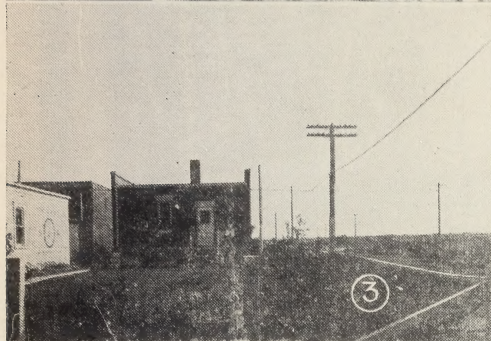
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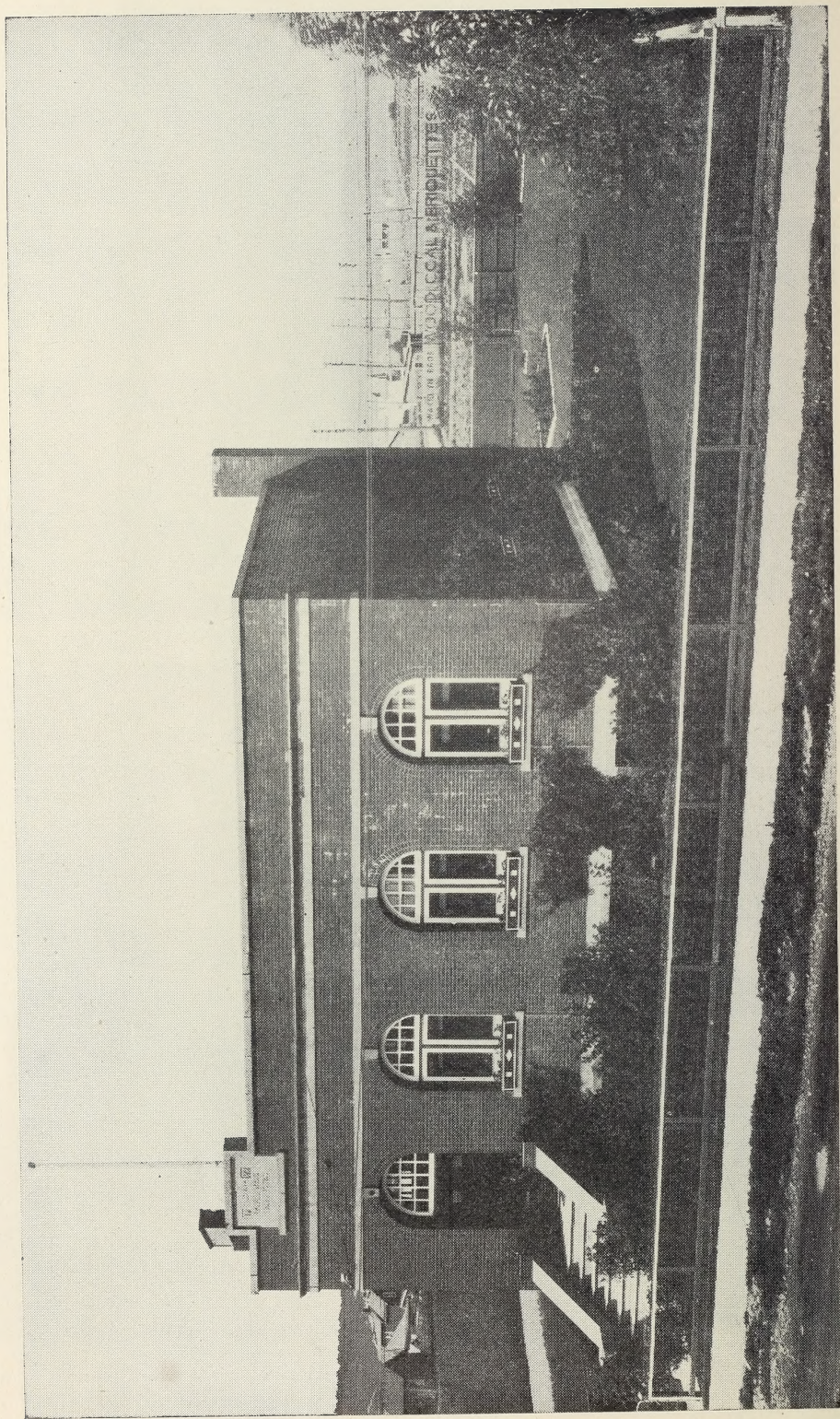
PUBLIC OFFICES CALGARY MAIN EXCHANGE





Nos. 1 and 2, Strathmore Exchange, winners of third prize in the main contest and first for best exterior. Nos. 3 and 4, back and front view of Didsbury Exchange, winners of second prize in main contest. Nos. 5 and 6, two views of Wetaskiwin office, winners of fourth prize in main contest. No. 7, view of new Toll operating room, Edmonton. No. 8, Wire Chief's office, showing new Toll equipment in Edmonton office.





LOUISE EXCHANGE, CALGARY



EDMONTON, Alberta, January 31st, 1927.

*To His Honour,*

WILLIAM EGBERT,

*Lieutenant Governor of the Province of Alberta,*

EDMONTON, ALBERTA.

SIR,—I have the honour to transmit the Fifteenth Annual Report of the Department of Telephones for the year ending December 31st, 1926.

I have the honour to be, Sir,

Your obedient servant,

VERNOR W. SMITH

*Minister of Railways and Telephones.*







EDMONTON, Alberta, January 31st, 1927.

THE HONOURABLE VERNOR W. SMITH,

*Minister of Railways and Telephones,*

EDMONTON, ALBERTA.

SIR,—I have the honour to submit herewith the Annual Report of the Telephone Department which has been compiled by the General Manager for the year ending December 31st, 1926.

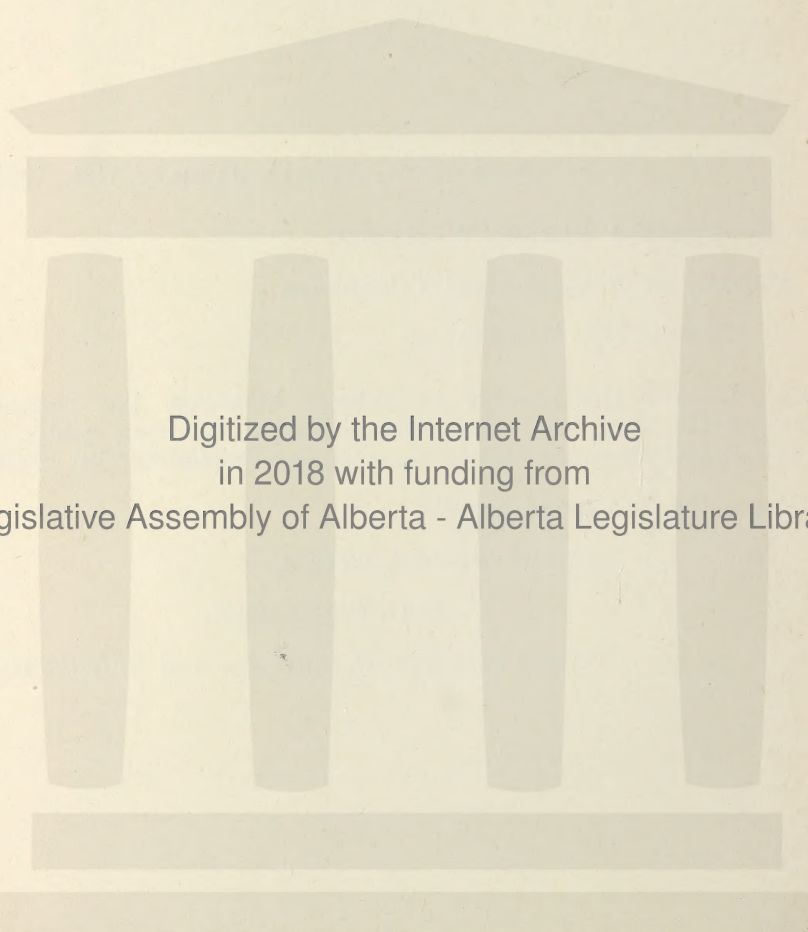
I have the honour to be, Sir,

Your obedient servant,

JOHN CALLAGHAN,

*Deputy Minister of Railways and Telephones.*





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EDMONTON, Alberta, January 31st, 1927.

MR. JOHN CALLAGHAN,

*Deputy Minister of Railways and Telephones,*

EDMONTON, ALBERTA.

DEAR SIR:—I submit herewith the 15th Annual Report of the Alberta Government Telephones for the year ending December 31st, 1926.

#### CONSTRUCTION.

##### *Exchange Plant Extensions.*

During 1926 we have added sufficient exchange plant to meet all demands for service at the various exchanges throughout the Province. Distributed over the cities and towns \$119,600.07 was spent on extensions. 8230 telephones were installed during the year, and 7665 removed, a net gain of 565 telephones, therefore, our average added plant investment is \$211.70 per telephone.

During the year improvements were made to properties throughout the Province, and new buildings were erected at Gleichen and Vermilion. In Calgary improvements were made on our Main Building to the extent of \$14,000.00. This included a considerable amount of reinforcing work that was necessary to properly take care of the load carried in the building, and the complete renovation of the Commercial offices.

##### *Toll Line Extensions.*

Extensions throughout the Province were made wherever necessary to meet the demand for toll service and during the year 279 miles of new copper lines were erected. Repeaters were installed at Edmonton, Calgary and Lethbridge, to further improve long distance transmission, and toll lines were rebuilt in places where the existing lines had become worn out or were inadequate. A complete new installation of toll board and line equipment was made in the City of Edmonton replacing obsolete Plant. The Edmonton equipment and toll office is of the most modern type and carries with it all of the latest developments, and provides toll line facilities in the Main Exchange, Edmonton, equal to any in the Dominion.

A total of \$86,694.63 was added in toll line improvements this year.



*Rural Plant Extensions.*

During 1926 we added 2,698 telephones to our rural plant in the Province, and removed 2,761, a net loss of 63 telephones. The total number of rural subscribers in the Province is now 20,413. 314 miles of new pole line, and 877 miles of wire were added to the plant, involving a total capital expenditure of \$62,752.33.

*Plant Replacement.*

During the year 713.75 miles of line, obsolete and worn out in use were replaced and rebuilt. The cost of this work together with provision for the original labor cost on removals and other miscellaneous charges to the Depreciation Reserve amounted to \$262,838.47. Our accounts for the year show \$302,018.96 available for reserve purposes which is sufficient for our 1927 requirements.

*Operation and Maintenance.*

The standard of service has been raised during the year by the use of improved methods, and equipment, operating costs have increased only \$12,260.27 despite the fact that, disregarding the rate increase, Operating Revenue has increased \$168,355.00.

Maintenance costs are approximately the same as in 1925 which means that the maintenance of new Plant and additions has been absorbed without increasing costs.

The extended long distance service into other parts of Canada and the United States has been working out very satisfactorily, and the volume of business is steadily increasing. The following table shows the relative costs of Operation and Maintenance per telephone over the last seven years.

*Operating Cost Per Telephone.*

	Operation	Maintenance
1920 .....	\$25.282	\$9.991
1921 .....	22.827	8.605
1922 .....	19.764	7.508
1923 .....	17.800	6.947
1924 .....	16.716	6.456
1925 .....	16.452	6.552
1926 .....	16.020	6.288

*Business Conditions.*

We can again record an improvement in business conditions throughout 1926. Our revenue, not considering the rate in-



crease, has improved over last year by \$168,355.00, divided among the various classes of service as follows:

\$58,105.00	Exchange Revenue
22,580.00	Rural Revenue
87,670.00	Toll Revenue

The improvement in rural revenue is particularly interesting, as it indicates that without any great amount of Plant extensions, telephones are being installed on existing lines. This is the type of improvement that will eventually solve the problem of providing rural telephone service in the Province of Alberta.

Toll revenue is a fair indication of business conditions, and after having recorded the best toll business in the history of the Telephone System in 1925, it is very gratifying to again show an improvement of \$87,670.00 during 1926. The improvement in exchange revenue indicates that our exchanges are growing, and that business in this direction is on the upward trend.

With a good crop harvested in most sections in 1926, it is only reasonable to expect a continuance of good business conditions and an upward trend in 1927.

### *Financial.*

Our Financial Statement this year is the first in the history of the Telephone System in Alberta that has shown a reasonable surplus for Plant Replacement or the Depreciation Reserve.

After paying interest and operating costs we will set aside this year \$447,487.51 for the Depreciation Reserve, and \$115,554.52 for the Sinking Fund Reserve. In all, we have earned for Reserves \$563,042.03 during 1926.

Our total Revenue from all sources is:

\$3,090,345.09, an improvement of \$454,748.36 over last year made up as follows: Improvement in business \$183,546.00; rate increase for October, November and December, the three months affected this year, \$94,215.00; Government Subsidy \$177,000.00. Long Distance earnings have been increased by \$87,670.00 which means that we have handled approximately 220,000 more messages without increasing the operating costs. We have also absorbed the increases in rural and exchange telephones, upwards of 1500 including those installed last Fall, and during this year, without increasing operating costs.

The following tables will show a statement of earnings and expenses during the past seven years, and Interest and Sinking Fund for the past eight years.



	Telephone Earnings	Telephone Expenses	Number of Telephones
1920 .....	\$1,930,884.00	\$1,377,116.00	42,854
1921 .....	2,247,277.00	1,431,671.00	50,611
1922 .....	2,359,551.00	1,380,564.00	53,421
1923 .....	2,361,468.00	1,287,723.00	53,896
1924 .....	2,399,080.00	1,242,842.00	54,215
1925 .....	2,502,175.00	1,254,119.00	56,279
1926 .....	2,772,372.00	1,266,519.00	56,930

#### Interest and Sinking Fund

1919 .....	\$ 517,222.00
1920 .....	622,454.00
1921 .....	991,030.00
1922 .....	1,347,426.00
1923 .....	1,340,686.00
1924 .....	1,373,631.00
1925 .....	1,362,943.00
1926 .....	1,369,672.00

#### Material

The Material Stocks for all store-rooms and supply yards in the Province are valued at \$346,384.10, a decrease of \$48,522.73 under last year, and a decrease of \$1,359,397.89 over the past 5 years. This included poles and all classes of construction material.

#### Reserves.

Our Cash Reserves at December 31st, 1926, total \$1,157,014.04, an improvement of \$340,520.12 over last year. The Reserves are made up as follows:

Replacement Reserve .....	\$302,018.96
Sinking Fund .....	854,995.08

There will be sufficient money in the Replacement Reserve to provide for all replacements and any contingencies that might arise during 1927.

Based on twelve months earnings a much greater contribution will be available for reserve purposes in 1927 and in the next few years this contribution should gradually increase, creating a Reserve of increasing strength year by year.

#### Rates.

During the year application was made to the Public Utilities Board for an increase in rates on both urban and rural telephones. The increase was granted to take effect October 1st, 1926, and went into effect at that time.



The new rates will provide additional revenue of approximately \$376,000.00 per annum. In addition the Government has agreed to a subvention of \$177,000.90 to be granted annually for a period of 10 years, estimated to be sufficient time to permit the undeveloped territory and sparsely settled sections to fill in and provide sufficient revenue to take care of carrying charges on lines in these sections.

Due to the large area covered, and the small population, Alberta has a great number of telephone lines in unprofitable territory; these lines provide a very useful and necessary service and are undoubtedly a means of assisting in the development of the Province. At the present time they cannot produce sufficient revenue to pay the carrying charges on the investment and take care of operating and maintenance costs. The Government therefore has agreed to pay the interest and Sinking Fund on \$2,311,473.54 invested in this class of plant, for a period of 10 years. The Telephone Department will continue to carry the operating and maintenance costs, and depreciation charges. In addition the Government subsidy pays the carrying charge on \$442,391.46 material losses, and the deficit for past years which amounts to \$246,135.00. The subvention takes care of the carrying charges on a total of \$3,000,000.00 and will be paid annually for 10 years. At the end of that time the Telephone Department will again assume all carrying charges on the full amount.

The main reason for Public Ownership of the Telephone Utility is to provide efficient telephone service at a minimum cost consistent with sound financing, to make the service available in as wide a field as possible and when necessary, to provide service in territories unprofitable, and therefore undeveloped by private enterprise.

The subscribers are the best judges of the service provided, and it is significant that during the Rate Hearings, before the Board of Public Utilities Commissioners, not a single complaint was made against the quality of the telephone service given by the Department. At the same time the cost of giving service compares favorably with any telephone system in America.

### *Telephone Service in the City of Edmonton*

Telephone service in the City of Edmonton is now being provided by a municipally owned system which operates within the City limits only. The Provincial System takes care of the rural service tributary to Edmonton which could reasonably be termed as Edmonton's unprofitable territory.

All of the long distance service and small town service surrounding the City and all other towns and cities within the Province excepting Banff, a small exchange in the National Park, are operated by the Alberta Government Telephones.



The telephone business does not lend itself to separations, and many problems are set up when divisions are made. Edmonton is the largest City in Northern Alberta and as such, is the largest long distance centre in the northern part of the Province, and headquarters of the Alberta Government Telephones.

As matters stand at the present time, a considerable amount of work must necessarily be duplicated and neither system can give a complete service. The farm service surrounding the City is left untouched by the Municipal Plant, and taken in by the Government which has no local Plant. It is therefore necessary to set up a unit to provide this service. Collections are naturally a problem, the City subscribers being required to pay their accounts in two places. In order to make the Provincial System accessible for the local subscribers, duct space, trunks, cable pairs, and building space must be rented from the Local System, and this increases the cost of giving service. The long distance and country service is made accessible to the City of Edmonton subscribers, and the charge is the same as that made to subscribers connected to Government exchanges.

No doubt the City System also have their difficulties and I am strongly of the opinion that an amalgamation of the two systems would be a benefit to the City, the Government and the telephone user, and would mean greater economy and efficiency for all concerned.

There is some question about rates, but we should make it clear that with the present type of equipment, and the present number of subscribers the rates would be the same with the Government System as they are with the Municipal System at the present time.

### *Remarks*

Alberta's Telephone System is modern, and replacements have kept the system not only up to date, but in good operating condition. Rates for service are lower than are generally charged for service under similar conditions, and the revenue now is sufficient to meet all charges, and with conditions improving, should provide reasonable depreciation reserves. This is a very desirable position for the Utility to be in.

The operating organization is divided into four branches: The Commercial Department which develops new territory, sells the service, and collects the revenue.

The Plant Department has charge of the Engineering, Construction and Maintenance of the System.

The Traffic Department, which has charge of the service, and the Accounting Branch which audits and checks the accounts, and keeps the records of the system.



Each branch is headed by a reliable and capable official, and it is largely due to their efforts that the operating and maintenance costs have been reduced by \$13.00 per telephone, or \$740,090.00 per annum during the past few years, while over the same period the class of service has been steadily improved. It is reasonable now to predict that the System with continued careful management will become stronger financially each year, and will fast become an asset of real value to the Province and at the same time provide a valuable public service.

I have the honour to be, Sir,

Your obedient servant,

R. B. BAXTER,

*General Manager.*



## ALBERTA GOVERNMENT TELEPHONES

## BALANCE SHEET

## ASSETS

*Plant in Service (Cost)*

December 31st, 1925		December 31st, 1926	
\$ 1,077,769.92	Real Estate .....	\$ 1,106,526.81	
3,236,668.15	Equipment .....	3,365,230.22	
2,738,790.09	Exchange Lines .....	2,818,287.93	
7,054,200.76	Rural Lines .....	5,124,853.84	
5,655,951.15	Toll Lines .....	5,406,247.25	
\$19,763,380.07	Plant in service .....	\$17,821,146.05	
16,191.40	Construction in Progress .....	36,084.29	
\$19,779,571.47	Total Plant .....		\$17,857,230.34

*Inventory and Supplies:*

\$ 80,615.33	Office Furniture .....	79,643.28	
35,602.07	Tools and Vehicles .....	41,776.66	
394,906.83	Supplies .....	346,384.10	
\$ 511,124.23			\$ 467,804.04

*Current Assets:*

\$ 453,607.46	Cash .....	503,565.05	
239,131.98	Treasury Dept., Cash and Notes .....	241,359.90	
278,944.13	Investments (Province of Alberta Debentures) .....	306,368.43	
266,280.35	Accounts Receivable .....	326,245.41	
5,424.58	Interest Receivable .....	8,971.33	
23,045.99	Prepaid Expense and Other Deferred Debits .....	38,659.78	
\$ 1,266,434.49			\$ 1,425,169.90

*Special Funds:*

\$ 103,392.02	Depreciation and Renewal Reserve Fund .....	—	
713,101.90	Sinking Fund .....	854,955.08	
—	Pension and Death Benefit Fund .....	22,633.66	
\$ 816,493.92			\$ 877,588.74

*Intangible Assets:*

723,269.57	Province of Alberta Subvention Debenture Discount .....	177,000.00	
442,391.46	Loss on Adjust. of Inventories .....	798,124.31	
334,847.18	Adjustment of Accrued interest on Debentures .....	—	
56,228.81	Adjustment of Accrued Sinking Fund on Debentures ..	334,847.18	
14,111.18	Red Deer Franchise .....	56,228.81	
\$1,570,848.20		14,111.18	\$1,380,311.48

*Subsidized Capital:*

	Loss on Adjust. of Inventories .....	442,391.46	
	Corporate Deficit Dec. 31, 1925 .....	246,135.10	
	Unprofitable Extensions .....	2,311,473.44	
			\$ 3,000,000.00
\$23,944,472.31			\$25,008,104.50

## LIABILITIES

December 31st, 1925		December 31st, 1926
\$22,956,148.57	Debenture Debt .....	\$23,218,581.91

*Current Liabilities:*

\$ 332,801.77	Accrued Debenture Int. not due	\$ 337,872.09
56,106.47	Accrued Sinking Fund not due	56,880.24
20,667.61	Unearned Revenue, etc. ....	27,116.17
<u>\$ 409,575.85</u>		<u>\$ 421,868.50</u>

*Reserves:*

\$ 103,392.02	Depreciation and Renewal Res.	—
713,101.90	Sinking Fund Reserve .....	854,955.08 ✓
—	Pension and Death Benefit Res.	22,633.66
8,389.07	Special Reserve .....	11,046.39
<u>\$ 824,882.99</u>		<u>\$ 888,635.13</u>
246,135.10	Less Corporate deficit as adjusted at Dec. 31st, 1925.	
<u>\$ 578,747.89</u>		
	Province of Alberta Subvention	\$ 177,000.00

*Amount Available for Replacement Reserves:*

Net surplus and subvention 1926 available for replacement res.	447,487.51	
Less: Deferred charge for renewals pending Legislative Authority to transfer .....	145,468.55	\$ 302,018.96
<u>\$23,944,472.31</u>		<u>\$25,008,104.50</u>

A. M. MITCHELL

*Auditor.*

Edmonton, February 3, 1927.

I have audited the books and records of the Alberta Government Telephones for the year ended December 31st, 1926, and the above Balance Sheet and accompanying statement of earnings are correctly prepared therefrom.

During the year only actual additions have been charged to plant; replacements and renewals have been charged to depreciation and renewal reserve. The amount now available for replacement reserves, \$447,487.51, together with the sinking fund contribution of \$115,554.52 represents the provision out of earnings for depreciation.

I certify that, in my opinion, the above Balance Sheet is properly drawn up so as to show the financial position of the Alberta Government Telephones on December 31, 1926, and the accompanying relative statement of earnings fairly states the results for the fiscal year ended at that date.

JAMES C. THOMPSON, C. A.

*Provincial Auditor.*



## ALBERTA GOVERNMENT TELEPHONES

## CONDENSED STATEMENT OF EARNINGS.

*Telephone Revenue:*

Year Ended December 31st, 1925		Year Ended December 31st, 1926	
\$1,021,220.13	Exchange Earnings .....	\$1,139,774.93	
485,835.40	Rural Earnings .....	542,168.08	
1,002,759.13	Toll Earnings .....	1,090,428.93	
<u>\$2,509,814.66</u>			<u>\$2,772,371.94</u>

*Telephone Expense:*

901,813.80	Operation .....	914,074.07	
352,305.07	Maintenance .....	352,444.86	
<u>1,254,118.87</u>			<u>1,266,518.93</u>
<u>1,255,695.79</u>	Net Telephone Earnings .....		<u>1,505,853.01</u>

*Add: Sundry Earnings:*

13,638.49	Directory Earnings .....	25,187.43	
60,668.37	Miscellaneous Earnings .....	72,031.15	
51,475.21	Interest Earned .....	43,704.57	
<u>125,782.07</u>			<u>140,973.15</u>
<u>1,381,477.86</u>	Total Gross Income .....		<u>1,646,826.16</u>

*Deduct:*

1,241,589.77	Interest .....	1,245,811.98	
671.51	Contingencies .....	1,213.77	
5,732.29	Commission and Exchange ..	7,091.74	
<u>1,247,993.57</u>			<u>1,254,117.49</u>
<u>133,484.29</u>	Operating Surplus .....		<u>392,708.67</u>

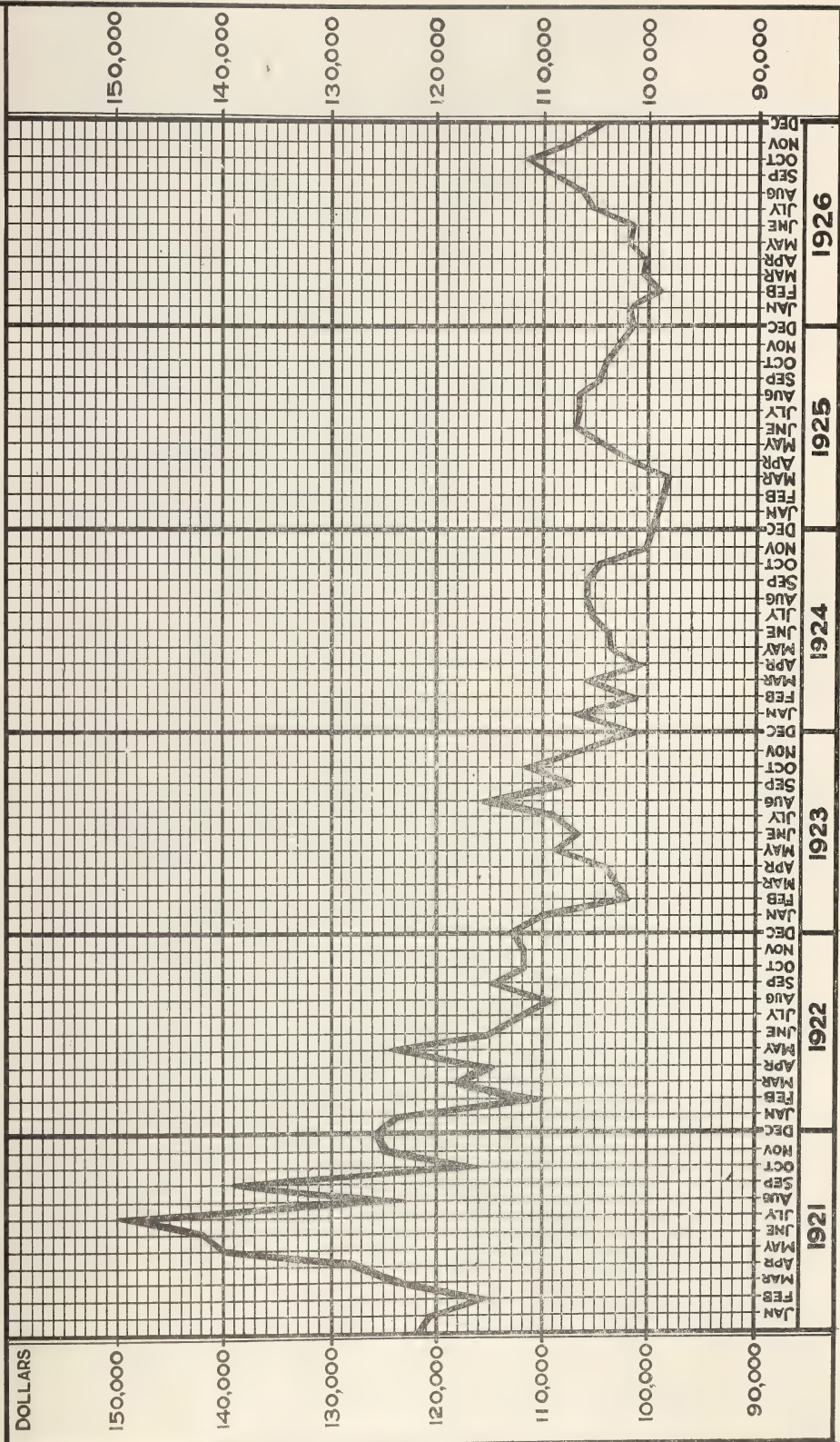
*Other Deductions:*

27,399.64	Intangibles Written Down ..	—	
114,949.28	Sinking Fund Contribution ..	115,554.52	
	Pension Fund Contribution ..	6,666.64	
<u>142,348.92</u>			<u>122,221.16</u>
<u>8,864.63</u>	(Deficit) Balance net earnings		<u>270,487.51</u>
	Add: Government subvention..	177,000.00	<u>177,000.00</u>
	Amount Available for replacement reserves ..	\$ 447,487.51	<u><u>\$ 447,487.51</u></u>

# TELEPHONE OPERATING COSTS

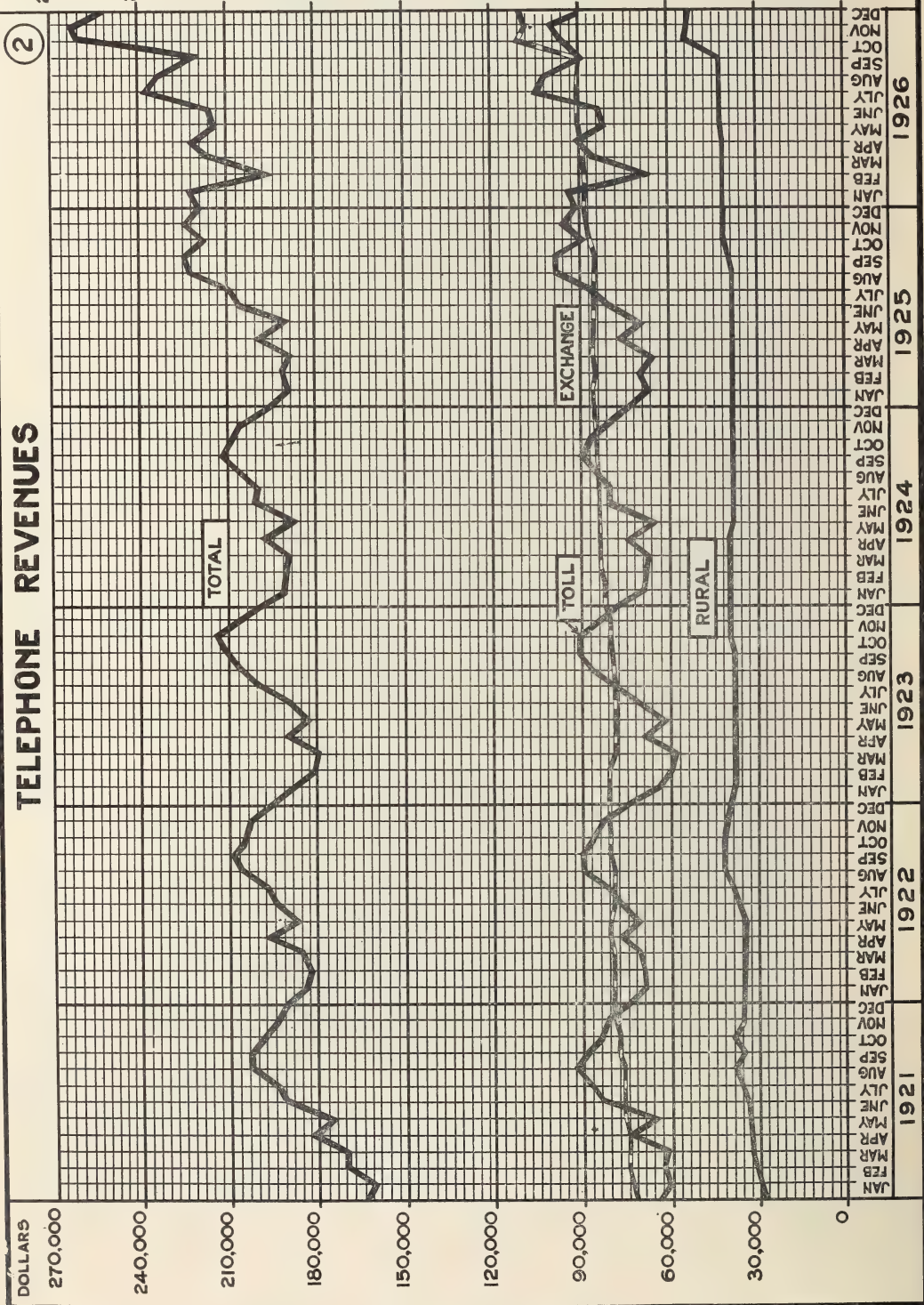
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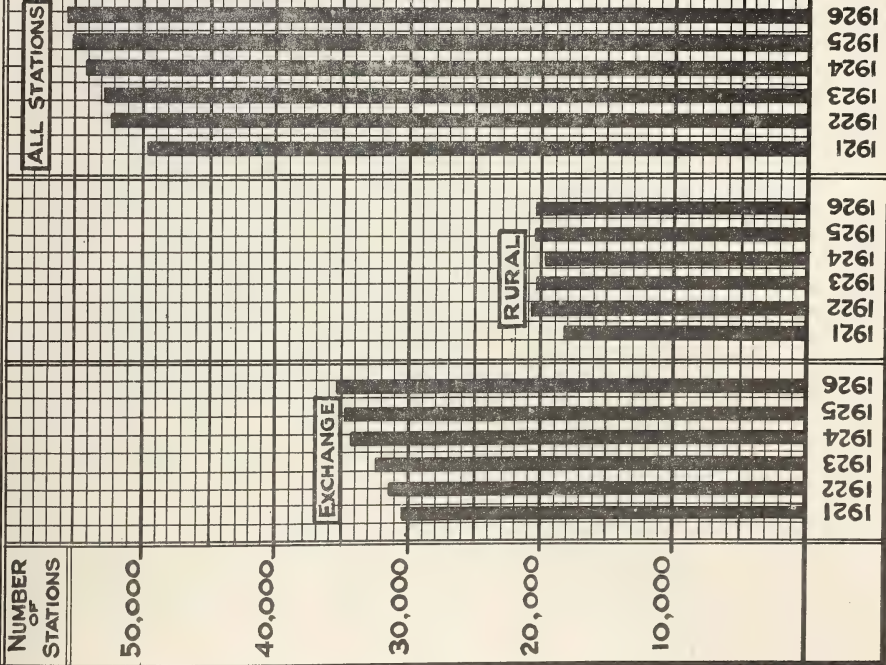


**DOLLARS**  
**270,000**



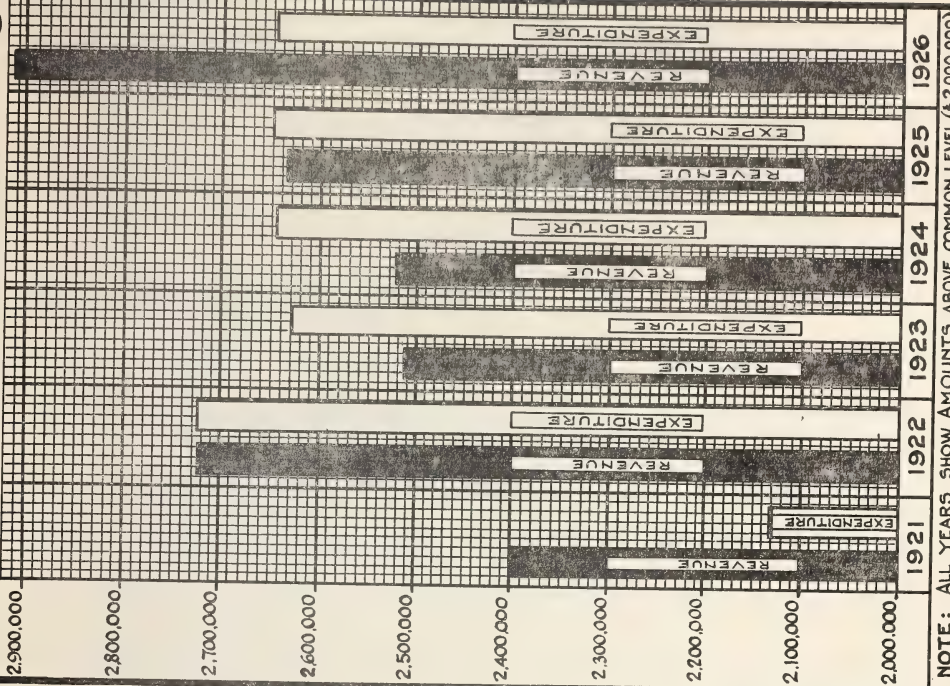
# STATION GROWTH

3



# COMPARISON OF GROSS REVENUES WITH GROSS EXPENDITURES

4



NOTE: ALL YEARS SHOW AMOUNTS ABOVE COMMON LEVEL (\$2,000,000)



## COMMERCIAL

## CONDENSED STATION REPORT, 1926.

Exchange Subscribers' Lines .....	29,397
Exchange Extension Stations .....	2,722
Exchange P. A. X. Sub-Stations .....	76
Exchange P. B. X. Sub-Stations .....	2,260
Pay Stations .....	536
Toll Stations .....	283
	<hr/>
	35,274
Rural Subscribers' Stations .....	20,413
	<hr/>
Total .....	55,687

STATEMENT OF EXCHANGES AND TOLL OFFICES IN THE  
PROVINCE, 1926.

Number of Alberta Government Telephone Exchanges .....	285	
Number of Alberta Government Telephone Toll Offices .....		283
Number of Alberta Government Telephone Exchange Stations .....		34,991
Number of Alberta Government Telephone Rural Stations .....		20,413
		<hr/>
		55,687
Number of Private Owned Party Lines .....	68	
Number of Private Owned Party Line Stations .....		1,243
Number of Connecting Exchanges .....	2	
Number of Connecting Exchange Stations .....		14,230
		<hr/>
Total .....		71,160

## PLANT.

## TOLL WORK UNDERTAKEN AND COMPLETED 1926.

Pole Miles	Wire Miles
12.00	64

## Total Rural Mileage Built, 1926.

	Pole Miles	Wire Miles	Subscribers
	126.00	196.25	250
Run-offs	29.67	29.67	
	<hr/>	<hr/>	<hr/>
	155.67	225.92	250

## TRAFFIC.

## GENERAL STATISTICS FOR YEAR ENDING DECEMBER 31, 1926.

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From January 1, To December 31, 1926.

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Traffic Pay Roll offices .....	35
Offices giving continuous service .....	84
Offices giving semi-continuous service .....	9
Toll Centers .....	117
Tributary Offices .....	458
Number of "Out" Tickets completed and billed (L.D.)	2,700,125
Total number of Cities, Towns and Hamlets in Alberta having telephone connection .....	1,012
Offices using Morse Service for Departmental Business	2
Number of Physical L. D. lines .....	249
Number of Phantom L. D. lines .....	23
Number of part Phantom and part Physical L. D. lines	35
Number of Simplex Telegraph lines .....	2
Number of (Carrier) Multiplex lines .....	2
Total number of L. D. lines .....	311
Phantom (Metallic) L. D. Circuit Mileage .....	2,854
Physical L. D. Circuit Mileage .....	35,802
Morse Simplex L. D. Circuit Mileage .....	202
Carrier L. D. Circuit Mileage .....	404

NOTE: Universal Toll Service, established in October 1925 provides service from practically all of Alberta's Telephone stations to every part of the Continent.

Included in the above data is the Peace River  
District which is composed of the following:

Toll Centers .....	4
Tributary Offices .....	26
Number of Physical L. D. Lines .....	4
Number of Phantom L. D. Lines .....	1
Total Long Distance Mileage .....	558











